

Minnesota Individual Health Insurance Outlook for 2024:

Market remains competitive and premiums remain low due to reinsurance



Introduction

The annual enrollment period is now underway to purchase 2024 health insurance coverage on the individual market. Based on data from health insurer rate filings, premiums are increasing by 4.32 percent, on average, for renewing consumers in Minnesota. Considering inflation, this is a modest increase which will keep Minnesota premiums among the lowest in the country.

Minnesota's lower premiums categorically show the success of the state's nation-leading reinsurance program. The program uses state funding to leverage federal funding to pay a portion of the claims for high-cost enrollees which keeps premiums down for every-

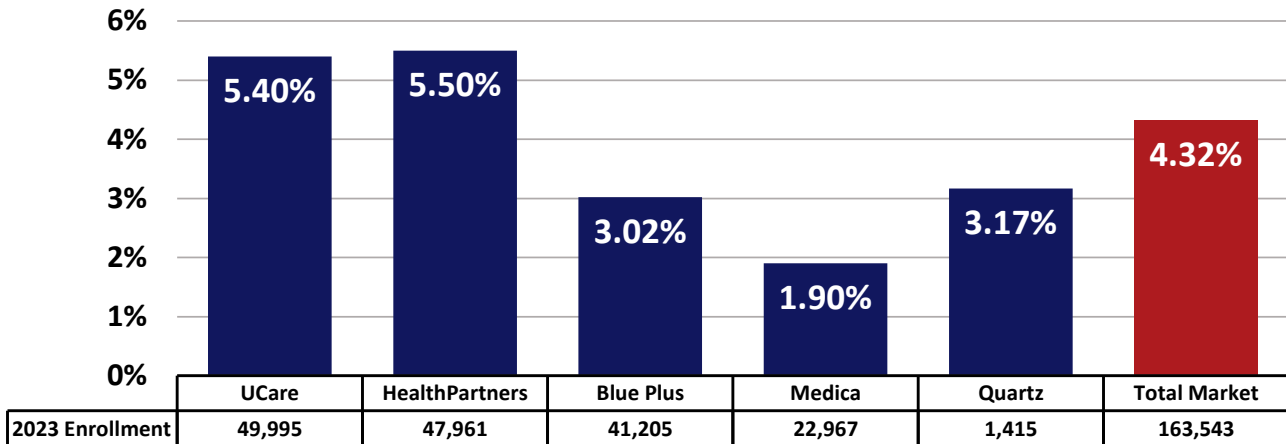
one. Despite this success, Democrats in the Minnesota legislature and Gov. Walz just enacted laws to abandon reinsurance and, instead, impose a public option health plan on the individual market. Unfortunately, a public option depends on government controls that will inevitably distort and destabilize the current market.

Insurer filings show modest rate increases in Minnesota

Every year the Minnesota Department of Commerce reports the range of premium increases across the plans approved to sell coverage.¹ This is useful and important information to consumers in these

FIGURE 1

Minnesota Individual Health Insurance Market 2024 Rate Changes



Source: Centers for Medicare & Medicaid Services, 2024 Unified Rate Review Public Use File (November 12, 2023).

Note: Rate changes are calculated by the average change in premiums for renewing health plans weighted by current enrollment in 2023 that each plan reports in their rate review data filing in the Unified Rate Review Template. HealthPartners enrollment reflects a snapshot taken in February, while every other health plan reports enrollment from March.

specific plans. However, to better understand how Minnesota’s overall market compares nationally, this analysis calculates a single statewide average rate change from the rate filings that Minnesota insurers submit to Commerce and the federal government. The statewide average is weighted by the number of people currently enrolled in each health plan. These are the people now deciding whether to keep their current coverage. As Figure 1 shows, rate changes ranged from a 1.90 percent increase for Medica to a 5.50 percent increase for HealthPartners. Altogether, premiums will increase by a weighted average of 4.32 percent across the total market in Minnesota. This represents a rather modest increase, considering inflation is currently holding at around four percent.²

Minnesota premiums increase more slowly than the nation

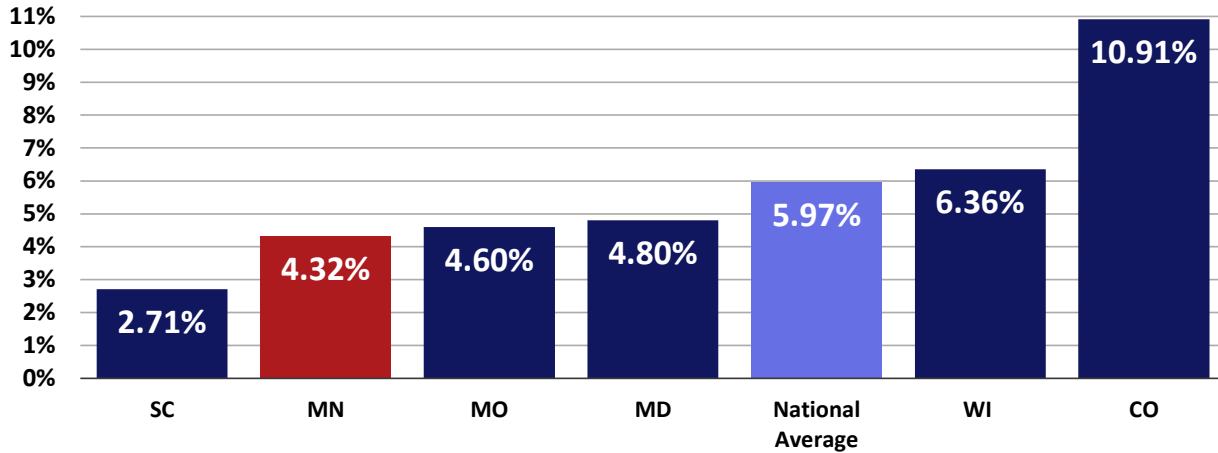
When compared to the rest of the country, Minnesota’s average premiums are increasing more slowly than the national average and most peer states. Rate review data from the Centers for Medicare & Medicaid Services (CMS) provides the final rate change for

each of the 349 individual market health plans offered in America, including plans sold both on and off the Exchanges. Figure 2 shows the average weighted final rate change for the nation will increase premiums by 5.97 percent. This puts every Minnesota insurer below the national average. Specifically, the state’s weighted average rate increase is 1.64 percentage points, or 28 percent lower than the national average.

Minnesota’s average rate change also compares favorably to peer states with similarly sized populations. The five states closest in population size to Minnesota include Colorado, Maryland, Missouri, South Carolina, and Wisconsin. In 2022, each of these states had a population within 500,000 of Minnesota. Figure 2 shows Minnesota’s average rates increased less than every peer state except for South Carolina. While Minnesota’s rate increase isn’t substantially less than most others, this better performance is more meaningful considering the state’s rate starts from a lower base than the national average and every peer state aside from Maryland (see Figure 3). It would not be surprising for Minnesota’s lower rates to revert closer to the higher mean. But looking to 2024, Minnesota rates appear to be getting even more affordable relative to other states.

FIGURE 2

Individual Health Insurance Market 2024 Rate Changes



Source: Centers for Medicare & Medicaid Services, 2024 Unified Rate Review Public Use File (November 12, 2023).

Notes: Rate changes are calculated by the average change in premiums for renewing health plans weighted by current enrollment in 2023 that each plan reports in their rate review data filing in the Unified Rate Review Template.

Why are premiums increasing?

Though Minnesota’s premium increases might be lower than average, premiums are still rising by a meaningful amount. What is driving this increase? Health insurers provide an actuarial memorandum with their rate filings which includes a detailed explanation for why rates are changing. However, health plans redact much of their explanation from public view as protected trade secret information. As a result, the explanations tend to be limited and cite only the standard trends that regularly impact premiums each year. Explanations more unique to the health plan or outside the normal course of business — the more telling information — tend to be redacted.

Nonetheless, the actuarial memos do provide some insights. Increased medical inflation and utilization are leading factors cited by every Minnesota health plan. Health plans also provide rate review data files accompanying their memos which provide more detailed information to support their rate change. These files suggest medical inflation was the main factor driving rate increases for most health plans. This is not surprising considering it falls in line with the increase in the overall inflation rate across the country.

In addition to the standard annual trends, Medica also noted they accounted for the fact that “[s]everal bills

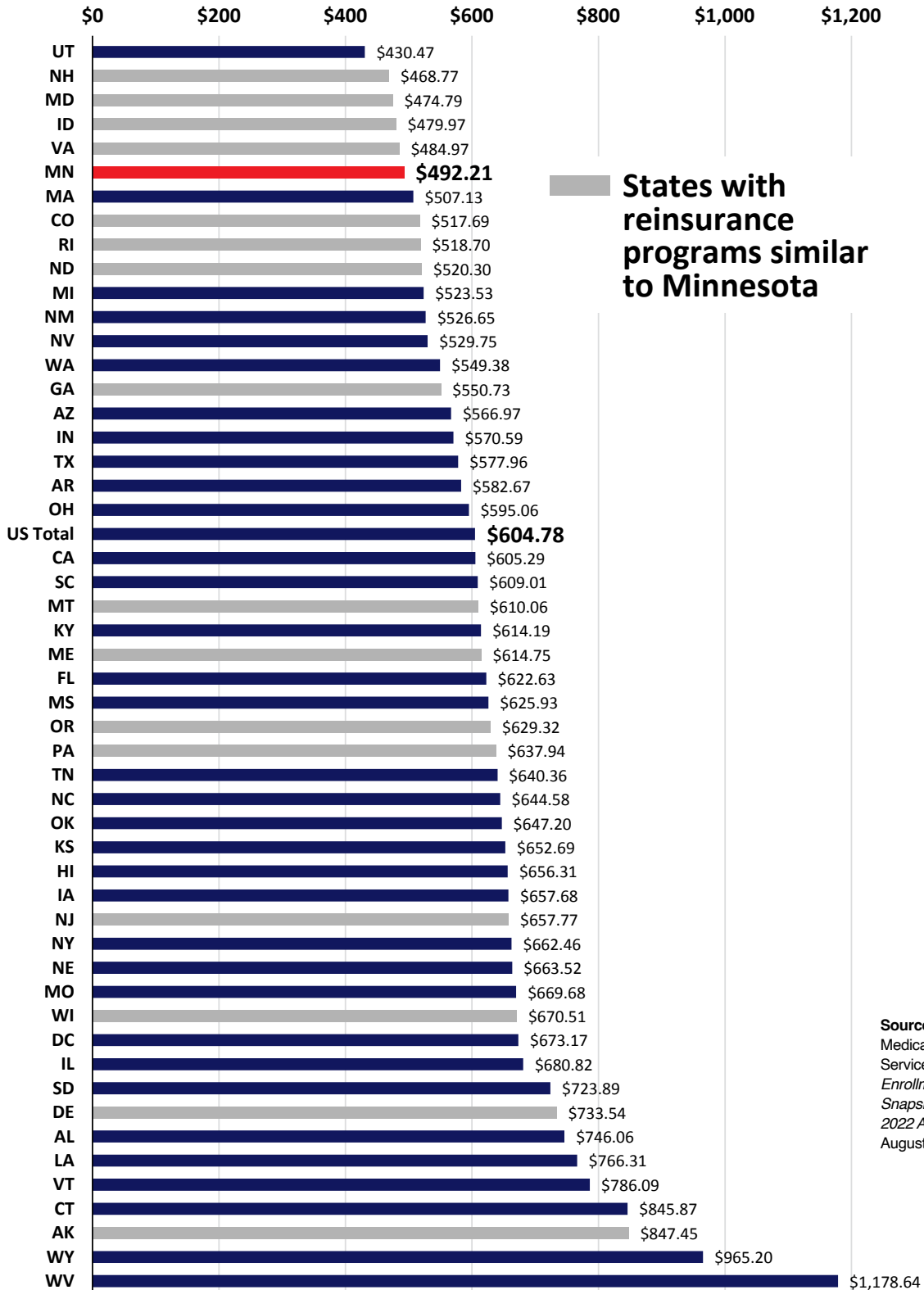
were enacted late in the Minnesota legislative session.”³ Democrats did enact several laws during the last legislative session which impose new health benefit and cost sharing mandates on health insurers. To their credit, Medica was the only health plan to transparently note this fact to the public outside their redacted portions of their memo. While any single government policy can have just a de minimis change to premiums, the accumulation of government mandates and policies which weaken the insurance risk pool do lead to higher premiums. It’s therefore important to track these changes and account for their combined premium impact. Today, premiums continue to be far more affordable in Minnesota than elsewhere, but this advantage can quickly be lost if Minnesota lawmakers continue to add costly mandates on insurers.

Better performance reflects Minnesota’s more competitive market

Competition tends to lower prices in any industry and studies show state health insurance markets are no exception.⁴ Therefore, Minnesota’s better performance likely reflects the state’s more competitive market. According to a recent U.S. Government Accountability Office report on insurance market concentration,

FIGURE 3

Average Total Premium per Month for Consumers on the Federal and State-Based Exchanges, February 2023



Source: Centers for Medicare & Medicaid Services, Effectuated Enrollment: Early 2023 Snapshot and Full Year 2022 Average, August 11, 2023.

the 31.2 percent market share for Minnesota’s largest insurer on the individual market was the fourth lowest in the country in 2020.⁵ This is an improvement from 2017 when Minnesota ranked 11th.

Based on the 2023 enrollment data reported in Figure 1, Minnesota’s largest insurer on the individual market continues to enroll less than a third of the market. This suggests Minnesota’s market remains among the most competitive in the country. And, as research would suggest, Minnesota’s more competitive market also delivers lower rates. The average premium for Minnesota consumers enrolled through MNsure — the state’s ACA insurance exchange — are the sixth lowest in the country this year.⁶

Reinsurance directly lowers premiums

Minnesota didn’t always have lower rates. From 2014 to 2017, average premiums in Minnesota’s individual health insurance market skyrocketed by 119 percent.⁷ This was the largest percentage increase in the nation over this time period and dropped Minnesota’s individual premium affordability rank to 37th in the country. The state responded by implementing a reinsurance program which immediately reduced premiums and, by 2019, Minnesota’s individual market had the lowest average premiums in the country. Since then, Minnesota’s ranking has dropped a bit, but, as just noted, premiums remain the sixth lowest.

Figure 3 reports the average premium for consumers on the federal and state-based exchanges by state — the most accurate measure for current premiums on the individual market. The gray bars in the figure also identify the states that have similar reinsurance programs as Minnesota, which clearly shows the powerful role reinsurance plays in lowering premiums. Eight of the ten states with the lowest premiums in the country operate a reinsurance program. Some states with reinsurance do have higher premiums, but they are still substantially lower than they otherwise would be.

Reinsurance keeps Minnesota’s premiums up to 36 percent lower

A recent American Experiment report provides a more detailed look at the success of Minnesota’s

reinsurance program.⁸ The report draws heavily on an independent evaluation of the program by the RAND Corporation, which was commissioned by CMS.⁹ The RAND report finds that the reinsurance program reduced premiums for a benchmark plan by up to 36 percent and increased unsubsidized enrollment by 82,000 compared to what would be expected without the reinsurance program. This is a larger premium impact than the 20 percent reduction the reinsurance subsidy alone would provide.

Reinsurance can reduce premiums by more than the subsidy because it also mitigates severe structural problems with the ACA’s subsidy design. The ACA’s premium subsidy creates inflationary pressure because the value of the ACA’s premium tax credit is tightly linked to the price of insurance premiums.¹⁰ This means the government generally pays the full cost of any premium increase. As a result, there’s little pressure on insurance companies to keep premiums down for subsidized people. The reinsurance program replaces a portion of the ACA’s inflationary premium subsidy with a reinsurance subsidy that adds incentives to control costs.

The premium impact from reinsurance can also be greater than the subsidy amount by simply keeping insurers in the market which strengthens cost-containing competition. Leading into 2017, Blue Cross and Blue Shield of Minnesota announced it would stop offering its traditional insurance and limit plan offerings to a narrow network HMO. Other insurers also threatened to drop out and remained only after the Minnesota Department of Commerce allowed them to cap enrollment. The reinsurance program created in early 2017 helped keep the remaining insurers in the market. Moreover, as the GAO report shows, market concentration has even declined in Minnesota since the reinsurance program began.

Conclusion

Despite the dramatic success of the reinsurance program, there are still affordability and access issues in Minnesota. Efforts to address these issues should work to build on the success of reinsurance. Moving in a different direction would abandon the effective and efficient cost controls built into reinsurance. Yet, that is exactly what Democrats in the Minnesota legislature and Gov. Walz chose to do this year.

Laws enacted during the last legislative session now

require the state to implement a MinnesotaCare public option which would directly compete with private insurance options. To work, a public option would depend on the sort of government subsidies and price controls that will distort the state's health insurance system and, as a result, undermine the efficient delivery of health care across the state. Moreover, the public option subsidy structure relies on the same inflationary premium-linked subsidy structure of the ACA. Ultimately, the only way a public option can compete is by setting provider reimbursements below competitively negotiated prices. Because these reimbursements will undoubtedly be set below the actual cost of delivering care, this will necessarily distort how providers must price services for private payers to fully cover the cost of care. It's the only way they will be able to stay in business.

Because the full development of a MinnesotaCare public option will take several years, there's still plenty of time to revisit this issue. As Minnesota's individual health insurance market continues to show strength, state lawmakers should walk back the public option and, instead, build off the success of the state's reinsurance program to address any ongoing affordability and access issues. ★

Peter Nelson is a senior policy fellow at Center of the American Experiment.

Endnotes

- 1 News Release, "MN Dept of Commerce approves 2024 rates for individual and small group health insurance in Minnesota," Minnesota Department of Commerce, September 29, 2023, available at <https://mn.gov/commerce/news/#/detail/appld/2/id/593552>.
- 2 News Release, "Consumer Price Index News Release," U.S. Bureau of Labor Statistics, October 12, 2023, available at https://www.bls.gov/news.release/archives/cpi_10122023.htm.
- 3 Medica Insurance Company, Actuarial Memorandum for Rate Filing Effective 1/1/2024 (August 31, 2023).
- 4 See e.g., Jessica Van Parys, "ACA Marketplace Premiums Grew More Rapidly In Areas With Monopoly Insurers Than In Areas With More Competition," *Health Affairs* (August 2018), available at <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2018.0054>; and Jane M. Zhu, Yuehan Zhang, Bingxiao Wu, et al., "Association Between Number of Insurers and Premium Rates in the Affordable Care Act Marketplace," *JAMA Internal Medicine* (November 2017), available at <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2653907>.
- 5 U.S. Government Accountability Office, *Private Health Insurance: Markets Remained Concentrated through 2020, with Increases in the Individual and Small Group Markets*, GAO-23-105672 (November 7, 2022), available at <https://www.gao.gov/products/gao-23-105672>.
- 6 Centers for Medicare & Medicaid Services, *Effectuated Enrollment: Early 2023 Snapshot and Full Year 2022 Average*, August 11, 2023, available at <https://www.cms.gov/files/document/early-2023-and-full-year-2022-effectuated-enrollment-report.pdf>.
- 7 Centers for Medicare & Medicaid Services, Risk Adjustment Program data, available at <https://www.cms.gov/marketplace/health-plans-issuers/premium-stabilization-programs>.
- 8 Peter Nelson, *How Reinsurance Saved Minnesota's Individual Health Insurance Market*, Center of the American Experiment (February 2023), available at <https://www.americanexperiment.org/reports/how-reinsurance-saved-minnesotas-individual-health-insurance-market>.
- 9 Justin W. Timbie, et al., *Section 1332 Waiver Evaluation Report: Evaluating the Minnesota Reinsurance Program*, RAND Corporation prepared for Centers for Medicare & Medicaid Services and Office of the Assistant Secretary for Planning and Evaluation (September 2021), available at <https://www.cms.gov/files/document/1332-evaluation-minnesota-2021.pdf>.
- 10 Peter Nelson, "Three Steps To Achieving More Affordable Health Insurance In The Individual Market," *Health Affairs Forefront*, August 19, 2021, available at <https://www.healthaffairs.org/content/forefront/three-steps-achieving-more-affordable-health-insurance-individual-market>.



8421 Wayzata Blvd #110
GoldenValley, MN 55426

AmericanExperiment.org